

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 93-432-C - ORDER NO. 93-921 *le*
OCTOBER 1, 1993

IN RE: Application of Quest Telecommunications,)
Inc. for a Certificate of Public) ORDER
Convenience and Necessity to operate as) APPROVING
a reseller of intrastate telecommuni-) CERTIFICATE
cations services within the State of)
South Carolina.)

This matter comes before the Public Service Commission of South Carolina (the Commission) by way of the Application of Quest Telecommunications, Inc. (Quest or the Company) requesting a Certificate of Public Convenience and Necessity authorizing it to operate as a reseller of telecommunications services in the State of South Carolina. Quest's Application was filed pursuant to S.C. Code Ann. §58-9-280 (Supp. 1992) and the Regulations of the Public Service Commission of South Carolina.

The Commission's Executive Director instructed the Company to publish, one time, a prepared Notice of Filing in newspapers of general circulation in the affected areas. The purpose of the Notice of Filing was to inform interested parties of the Company's Application and of the manner and time in which to file the appropriate pleadings for participation in the proceedings. The Company complied with this instruction and provided the Commission with proof of publication of the Notice of Filing. A Petition to

Intervene was filed by Southern Bell Telephone and Telegraph Company (Southern Bell). Subsequently, Southern Bell moved to withdraw its intervention, and the Commission, in Order 93-888, dated September 22, 1993, granted Southern Bell's Motion to Withdraw Intervention.

In support of its Application, Quest submitted the verified testimony and an affidavit of Jean W. Ray, Director of Legal and Regulatory Affairs for Quest Communications, Inc. Ms. Ray explained Quest's request for authority to provide long distance services in conjunction with its proprietary calling card and to provide interLATA direct dial service. Ms. Ray explained that Quest's underlying facilities-based carriers include AT&T, MCI, Cable & Wireless, Metromedia, and WilTel. In her affidavit, Ms. Ray affirms that Quest does not nor will it provide any 900 services in South Carolina.

Ms. Ray described the calling card services offered by Quest. According to Ms. Ray, Quest's calling card (called the Liberty Card) operates on a debit system. Ms. Ray indicated that the Liberty Card would be issued in \$10, \$25, and \$50 denominations for over-the-counter sales, and in a \$20 denomination through vending machine sales. Each Liberty Card has an unique authorization code which allows the Company's equipment to verify the customer's account information. When a call is completed, charges for the call are deducted from the customer's Liberty Card account. Ms. Ray stated that customers may begin placing calls immediately after purchasing a Liberty Card, as the card has been

credited for the amount of calling purchased, and charges are deducted from the predetermined amount.

Ms. Ray also explained the customer service operations available to Liberty Card customers. She further testified that billing is inapplicable to the use of the Liberty Card, and that calls which require a live or automated operator assistance for completion are not offered with the use of the Liberty Card.

Ms. Ray further offers that Quest's certification in South Carolina would provide innovative, high quality calling options to callers in the state. She states that the Liberty Card would allow persons, without their own telephone service, access to the convenience of placing calls with a calling card. Additionally, Ms. Ray states that the Liberty Card allows customers to budget for their long distance needs, and, as well as affording customers complete privacy regarding their long distance calls. Ms. Ray also offers that Quest's services will create competition causing dominant carriers to reduce prices, improve service, and operate more efficiently. Ms. Ray further proposes that Quest possesses the managerial, technical, and financial ability to provide and support its offered services.

After full consideration of the applicable law, the Company's Application, and the testimony and affidavit of Ms. Ray, the Commission hereby issues its findings of fact and conclusions of law:

FINDINGS OF FACT

1. Quest Telecommunications, Inc. is incorporated under the laws of the State of Delaware, and is licensed to do business as a foreign corporation in the State of South Carolina by the Secretary of State.

2. Quest Telecommunications, Inc. operates as a non-facilities based reseller of interexchange services and wishes to do so in South Carolina.

3. Quest Telecommunications, Inc. has the experience, capability, and financial resources to provide the services as described in its Application.

CONCLUSIONS OF LAW

1. Based on the above findings of fact, the Commission determines that a Certificate of Public Convenience and Necessity should be granted to Quest to provide intrastate service through the resale of long distance telecommunications services, or any other services authorized for resale by tariffs of carriers approved by the Commission.

2. The Commission adopts a rate design for Quest for its resale services which includes only maximum rate levels for each tariff charge. A rate structure incorporating maximum rate levels with the flexibility for adjustment below the maximum rate levels has been previously adopted by the Commission. In Re: Application of GTE Sprint Communications Corporation, etc., Order No. 84-622, issued in Docket No. 84-10-C (August 2, 1984).

3. Quest shall not adjust its rates below the approved

maximum level without notice to the Commission and to the public. Quest shall file its proposed rate changes, publish its notice of such changes, and file affidavits of publication with the Commission two weeks prior to the effective date of the changes. However, the public notice requirement is waived, and therefore not required, for reductions below the maximum cap in instances which do not affect the general body of subscribers or do not constitute a general rate reduction. In Re: Application of GTE Sprint Communications, etc., Order No. 93-638, issued in Docket No. 84-10-C (July 16, 1993). Any proposed increase in the maximum rate level reflected in the tariff which would be applicable to the general body of Quest's subscribers shall constitute a general ratemaking proceeding and will be treated in accordance with notice and hearing provisions of S.C. Code Ann. §58-9-540 (Supp. 1992).

4. Quest shall file its revised tariff and an accompanying price list to reflect the Commission's findings within thirty (30) days of the date of this Order. The returned check charge shall not exceed the amount allowed by South Carolina law. Further, the tariff shall be filed in a loose-leaf binder.

5. Quest is subject to access charges pursuant to Commission Order No. 86-584, in which the Commission determined that for access purposes resellers should be treated similarly to facilities-based interexchange carriers.

6. With regard to Quest's resale of service, an end-user should be able to access another interexchange carrier or operator

service provider if they so desire.

7. Quest shall resell the services of only those interexchange carriers or LECs authorized to do business in South Carolina by this Commission. If Quest changes underlying carriers, it shall notify the Commission in writing.

8. Quest shall comply with the terms of Order No. 93-462, Order Approving Stipulation and Agreement, in Docket Nos. 92-182-C, 92-183-C, and 92-200-C (June 3, 1993).

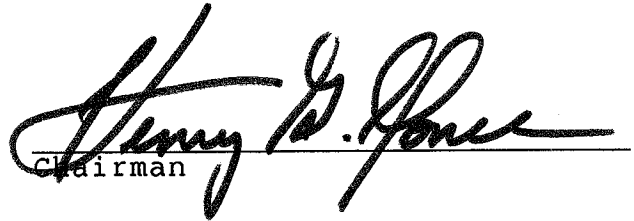
9. With regard to Quest's calling card (debit card), also known as the Liberty Card, the Commission shall require Quest to post a bond prior to receiving certification. Due to the nature of the service proposed by Quest where a subscriber must pay for services before the services are rendered, this Commission believes that a bond is necessary for the protection of the subscribers in South Carolina until such time as the Company has operated in this State and has had the opportunity to demonstrate its stability. Therefore, the Commission requires as a condition to the granting of a Certificate of Public Convenience and Necessity to operate as a reseller of telecommunications services that Quest post a bond with the Commission by delivering to the Commission Certificates of Deposit, in the amount of Five Thousand (\$5000.00) Dollars, and drawn in the name of the Public Service Commission of South Carolina. The Certificates of Deposit shall be drawn on federal or state chartered banks or savings and loan associations which maintain an office in this State and whose accounts are insured by either the Federal Deposit Insurance

Corporation or the Federal Savings and Loan Insurance Corporation. After twelve (12) months from the date of this Order, the Commission will review the Company's financial reports and reassess the requirement of Quest maintaining a bond.

10. Quest shall file surveillance reports on a calendar or fiscal year basis with the Commission as required by Order No. 88-178 in Docket No. 87-483-C. The proper form for these reports is indicated on Attachment A.

11. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)

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ATTACHMENT A

ANNUAL INFORMATION ON SOUTH CAROLINA OPERATIONS
FOR INTEREXCHANGE COMPANIES AND AOS'S

- (1) SOUTH CAROLINA OPERATING REVENUES FOR THE 12 MONTHS ENDING
DECEMBER 31 OR FISCAL YEAR ENDING _____.
- (2) SOUTH CAROLINA OPERATING EXPENSES FOR THE 12 MONTHS ENDING
DECEMBER 31 OR FISCAL YEAR ENDING _____.
- (3) RATE BASE INVESTMENT IN SOUTH CAROLINA OPERATIONS* FOR 12
MONTHS ENDING DECEMBER 31 OR FISCAL YEAR ENDING _____.

*THIS WOULD INCLUDE GROSS PLANT, ACCUMULATED DEPRECIATION,
MATERIALS AND SUPPLIES, CASH WORKING CAPITAL, CONSTRUCTION
WORK IN PROGRESS, ACCUMULATED DEFERRED INCOME TAX,
CONTRIBUTIONS IN AID OF CONSTRUCTION AND CUSTOMER DEPOSITS.

- (4) PARENT'S CAPITAL STRUCTURE* AT DECEMBER 31 OR FISCAL YEAR
ENDING _____.

*THIS WOULD INCLUDE ALL LONG TERM DEBT (NOT THE CURRENT
PORTION PAYABLE), PREFERRED STOCK AND COMMON EQUITY.

- (5) PARENT'S EMBEDDED COST PERCENTAGE (%) FOR LONG TERM DEBT AND
EMBEDDED COST PERCENTAGE (%) FOR PREFERRED STOCK AT YEAR
ENDING DECEMBER 31 OR FISCAL YEAR ENDING _____.
- (6) ALL DETAILS ON THE ALLOCATION METHOD USED TO DETERMINE THE
AMOUNT OF EXPENSES ALLOCATED TO SOUTH CAROLINA OPERATIONS AS
WELL AS METHOD OF ALLOCATION OF COMPANY'S RATE BASE INVESTMENT
(SEE #3 ABOVE).